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Message Text

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PAGE 01 BUENOS 06085 162305Z

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ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 COME-00 EA-11 INT-08 OMB-01

TRSE-00 CIEP-02 CEA-02 L-03 STR-08 SS-15 NSC-10

CIAE-00 INR-10 NSAE-00 RSC-01 AID-20 RSR-01 /120 W
---------- 107050
R 162200Z AUG 73
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 3288

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E.O. 11652: N/A
TAGS: EIND, FTRD, AR
SUBJECT: US FERROUS SCRAP EXPORTS

REFS: A. STATE 157387, B. STATE 156614, C. STATE 152338, D. STATE 148402, D. BA 5515, F. BA 5906, G. BA 5948

1. WHEN EMBOFF CONTACTED FORMIN OFFICIAL WHO HAD MADE PRESENTATION TO EMBASSY, REF E, CONCERNING ARGENTINE NEED FOR SPECIAL TREATMENT REGARDING FERROUS SCRAP TO PASS ALONG SUBSTANCE REF D WITH ITS RELATIVELY STRONG ASSURANCES THAT ARGENTINA WOULD RECEIVE THE 213 THOUSAND SHORT TONS CONTRACTED BEFORE JULY 2, FONOFF OFFICIAL EXPRESSED GRATITUDE FOR INFORMATION AND PLEASURE THAT THESE SUPPLIES WOULD BE FORTHCOMING. HE THEN REITERATED REQUEST THAT EMBASSY AND USG MAKE MAXIMUM EFFORT PROVIDE ARGENTINA WITH 300-350 THOUSAND TONS IN SECOND SEMESTER.

2. EMBASSY HAS INVESTIGATED STEEL AND FERROUS SCRAP SITUATION TO BEST OF ITS ABILITY OVER PAST TEN DAYS. OUR CONCLUSION IS THAT, IF ARGENTINA RECEIVES 213 THOUSAND SHORT TONS FROM US IN SECOND SEMESTER, ARGENTINE STEEL INDUSTRY WILL BE BETTER SUPPLIED WITH NEEDED SCRAP THAN IN ANY PREVIOUS PERIOD. AVAILABLE DATA ON THIS POINT ILLUSTRATED BY TABLE BELOW WHICH INDICATES SCRAP SUPPLIES AVAILABLE TO ARGENTINE MILLS 1969 THROUGH 1973, IN THOUSAND OF METRIC RPT METRIC TONS. (COLUMN 1 IS CALENDAR YEAR,
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PAGE 02 BUENOS 06085 162305Z

COLUMN 2 IS ESTIMATED SCRAP AVAILABLE TO MILLS FROM ARGENTINE

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

SOURCES, COLUMN 3 ACTUAL AND ESTIMATED FERROUS SCRAP IMPORTS
ALREADY ASSURED, COLUMN 4 SHOWS TOTAL AVAILABILITIES):
1969 690 NEG 690
1970 815 5 820
1971 760 57 817
1972 775 210 995
1973 850 330 1180
3. WE HAVE ALSO SOUGHT TO ESTIMATE PROGRESSION OF INCREASING SUPPLIES OF SCRAP TO ARGENTINE MILLS BY SEMESTERS. THIS ANALYSIS ALSO SHOWS THAT SINCE THE FIRST SEMESTER 1971 THERE HAS BEEN AND WIL CONTINUE TO BE THROUGH 1973 A RELATIVELY SMOOTH CLIMB IN SCRAP AVAILABILITIES. ACCORDING TO OUR ESTIMATE FOR THE SIX SEMESTERS IVOLVED, TOTAL AVAILABILITIES WERE AND ARE ABOUT AS FOLLOWS, IN THOUSANDS OF METRIC TONS: 390, 430, 475, 520, 560, 620
.

4. SINCE EARLY 1971 AT LEAST FIVE PRIVATE SEMI-INTEGRATED STEEL MILLS IN ARGENTINA HAVE EXPANDED THEIR CAPACITY AND NEED FOR FERROUS SCRAP. IN 1973, IN CONNECTION WITH ITS MAJOR EXPANSION, SOMISA PLANNED TO OPEN A NEW BLAST FURNANCE AND SEVERAL CONVERTERS. THE CONVERTERS ARE BEGINNING OPERATIONS WHILE THE BLAST FURNANCE INAUGURATION WILL BE DELAYED UNTIL LATE IN THE YEAR. IN ADDITION, SOMISA NEEDS AND PLANS TO SHUT DOWN PRESENT BLAST FURNACE FOR RELINING

AND MAJOR REPAIRS WHEN NEW UNIT READY TO GO. RESULT IS THAT SOMISA CALLING FOR MAJOR PARTICIPATION IN SCRAP AVAILABILITIES TO INSURE USE OF CONVERTERS. IT IS THIS LATTER SITUATION WHICH EXPLAINS WHY ARGENTINA AND ITS STEEL MILLS ARE NOT SATISFIED WITH APPARENT 20 PERCENT INCREASE IN FERROUS SCRAP SUPPLIES BETWEEN 1972 AND 1973.

5. WE SEE NO LIKELIHOOD OF LARGE AND DISRUPTIVE STEEL SHORTAGE ARISING IN ARGENTINA BECAUSE OF US LIMITATION OF FERROUS SCRAP EXPORTS TO DATE. WHAT IS DISRUPTED IS ARGENTINA'S PLAN TO PRODUCE MORE (AND IMPORT LESS) SEMI-FINISHED STEEL, BY FULLER UTILIZATION OF RECENTLY EXPANDED CAPACITY. ARGENTINE STEEL INDUSTRY WILL NEED TO BE ACTIVE IN INTERNATIONAL MARKETS, WHERE CONDITIONS NOW ADMITTEDLY DIFFICULT , TO PURCHASE NEEDED SIME-FINISHED AND SIME-MANUFACTURED STEEL THEY HAD HOPED TO PRODUCE THEMSELVES. ARGENTINE STEEL INDUSTRY, WITH SCRAP SUPPLIES NOW IN SIGHT, SHOULD BE ABLE TO OPERATE AT HIGHER LEVEL THROUGH SECOND SEMESTER 1973 THAN IN PAST,
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ALTHOUGH, IN VIEW OF RECENT EXPANSIONS COMPLETED OR BEING COMPLETED, AT A SOMEWHAT LOWER UTILIZATION OF TOTAL CAPACITY. SATISFYING NEEDS OR DESIRES OF STATE INDUSTRY (SOMISA), FOR FERROUS SCRAP FROM PRESENTLY LIMITED OVERALL SUPPLIES IS LIKELY TO DISRUPT AVAILABILTITES TO SOME PRIVATE STEEL MILLS. THIS IN TURN MAY DISRUPT THE REGULAR FLOW OF SOME SEMI-MANUFACTURES AND FINISHED STEEL TO CERTAIN SEGMENTS LINDUSTRY AND CONSTRUCTION. WE SEE THESE PROBLEMS AS REQUIRING DECISIONS AND SOLUTIONS BY ARGENTINES.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

6. WE UNDERSTAND FROM DEPARTMENT'S MESSAGES THAT CHANCES FOR OFFERING ARGENTINES OPPORTUNTIES TO PURCHASE ADDITIONAL SCRAP DURING SECOND SEMESTER 1973 ARE SLIM INDEED. WE ASSUME THAT WASHINGTON AGENCIES ARE ASSESSING OVERALL EXPORT AVAILABILITY SITUATION FOR 1974 AND WILL, AS SOON AS POSSIBLE, MAKE ANNOUNCEMENT TENDING TO CLARIFY, FOR FOREIGN PURCHASER, THE SITUATION WHICH WILL GOVERN THE ALLOCATION OF EXPORTABLE AMOUNTS. ADDITIONALLY, WE RECOMMEND THAT THE ARGENTINE EMBASSY BE GIVEN WHATEVER MATERIAL CAN BE PROVIDED CONCERNING THE AVAILABILITY OF SHIPS FOR SCRAPPING AS INDICATED IN REFS F AND G. THERE APPEARS TO BE SUBSTANTIAL INTEREST IN ARGENTINA ON THE SUBJECT. WHATEVER HARD INFORMATION CAN BE GIVEN THE ARGENTIES CONCERNING THE AVAILABILITY OR NON-AVAILABILITY OF FERROUS SCRAP DURING THE NEXT FOUR TO TWELVE MONTHS WILL PROVE HELPFUL TO THEM IN PLANNING NOT ONLY THE OPERATIONS OF ARGENTINE STEEL PLANTS BUT ALSO THE NEED FOR FOR IMPORTS OF SEMI-FINISHED AND SEMI-MANUFACTURED STEEL AND THE OPERATIONS OF THE PRIMARY PLANTS WHICH ARE MAJOR USERS OF STEEL.

7. FYI - WE NOTE IN OUR CONVERSATIONS WITH ARGENTINE OFFICIALS AND PRIVATE PERSONS CONNECTED WITH STEEL INDUSTRY THAT ALL SEEM TO AGREE THAT JAPANESE AND MEXICANS HAVE ENGAGED IN SPECULATION WITH FERROUS SCRAP TO LARGE DEGREE AND HAVE CORNERED SUBSTANTIAL PORTION OF AVAILABILITIES FROM US IN QUANTITIES ABOVE AND BEYOND NEEDS THOSE TWO COUNTRIES. ARGENTINES HERE FREQUENTLY ALLEGE THEY CAN NOW SECURE ADDED SCRAP AT QUOTE SCALPER'S PRICES UNQUOTE FROM JAPANESE OR MEXICAN SOURCES. THEY ARE MORE THAN A LITTLE BITTER ABOUT BEING CAUGHT OUT IN TERMS OF SUPPLIES AND VULNERABLE TO CONDITIONS CREATED BY THE WORLD SHORTAGE IN THIS MATERIAL. END FYI.
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EO Systematic Review
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